MBIZANA LOCAL MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS

for the year ended

Saturday, June 30, 2007

I am responsible for the preparation of these annual financial statements, which are set out on pages 1 to 28, in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors as disclosed in note 18 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

B P MASE
Municipal Manager

Wednesday, December 12, 2007

MBIZANA LOCAL MUNICIPALITY
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2007

	Note	2007 R	2006 R
NET ASSETS AND LIABILITIES			
Net assets		**65 411 548**	**58 383 815**
Accumulated Surplus		65 411 548	58 383 815
Current liabilities		**9 066 451**	**11 589 792**
Consumer deposits	2	277 189	277 189
Provisions	3	1 267 908	1 902 435
Trade and other payables	4	1 120 346	1 982 131
Unspent conditional grants and receipts	5	4 407 611	1 360 032
Bank overdraft	13	1 993 397	6 068 005
Total Net Assets and Liabilities		***74 477 999***	***69 973 607***
ASSETS			
Non-current assets		**55 698 556**	**38 316 749**
Property, plant and equipment	6	55 250 232	37 312 925
Intangible assets	7	431 304	462 111
Loans and receivables	8	17 020	541 713
Current assets		**18 779 443**	**31 656 858**
Inventory	9	71 815	-
Consumer debtors	10	5 991 974	5 991 974
Other debtors	11	9 445 431	9 900 472
Loans and receivables	8	535 042	122 833
Call investment deposits	12	2 450 206	15 076 151
Bank balances and cash	13	284 975	565 428
Total Assets		***74 477 999***	***69 973 607***

MBIZANA LOCAL MUNICIPALITY
STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2007

	Note	2007 R'000	2006 R'000
REVENUE			
Property rates	14	967 807	690 512
Service charges	15	4 735 733	4 695 058
Rental of facilities and equipment		377 090	403 566
Interest earned - external investments		655 653	1 246 851
Fines		143 602	135 170
Licences and permits		-	130 341
Income for agency services		125 517	-
Government grants and subsidies	16	50 135 049	46 753 649
Other income		2 577 681	302 352
Total Revenue		**59 718 133**	**54 357 499**
EXPENDITURE			
Employee related costs	17	17 856 033	13 248 982
Remuneration of Councillors	18	8 311 653	6 446 954
Bad debts		339 718	346 765
Depreciation		3 736 031	3 240 930
Amortisation of intangible assets		30 807	-
Repairs and maintenance		1 898 684	760 608
Interest paid	19	67 643	14 275
Bulk purchases	20	2 474 329	1 685 457
General expenses	21	20 997 640	22 160 830
Total Expenditure		**55 712 538**	**47 904 801**
SURPLUS FOR THE YEAR		**4 005 595**	**6 452 698**

MBIZANA LOCAL MUNICIPALITY
STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED 30 JUNE 2007

	Pre GAMAP Funds and Reserves R	Accumulated Surplus/ (Deficit) R	Total R
2006			
Balance at 1 July 2005	62 793 496	12 819 278	75 612 774
Implementation of GAMAP - see note 22	(62 793 496)	49 161 369	(13 632 127)
Restated balance	**-**	61 980 646	61 980 646
Surplus/(deficit) for the year		6 452 698	6 452 698
Non-GAMAP adjustments		(10 049 529)	(10 049 529)
Balance at 30 June 2006	**-**	**58 383 815**	**58 383 815**
2007			
Surplus/(deficit) for the year		4 005 595	4 005 595
Adjustments		3 022 138	3 022 138
Balance at 30 June 2007	**-**	**65 411 548**	**65 411 548**

MBIZANA LOCAL MUNICIPALITY
CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2007

	Note	2007 R	2006 R
CASH FLOW FROM OPERATING ACTIVITIES			
Cash receipts from ratepayers, government and other		64 909 563	55 936 600
Cash paid to suppliers and employees		(53 022 521)	(64 123 707)
Cash generated from/ (utilised in) operations	23	**12 141 053**	(8 187 107)
Interest received		655 653	1 246 851
Interest paid		(67 643)	(14 275)
NET CASH FROM OPERATING ACTIVITIES		**12 729 063**	**(6 954 531)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(21 673 338)	(9 545 416)
(Increase)/decrease in current receivables		(412 209)	599 930
Increase in intangible assets		-	(462 111)
Decrease/(increase) in non-current receivables		524 693	(141 377)
Increase in non-current investments		12 625 946	9 588 325
NET CASH FROM INVESTING ACTIVITIES		**(8 934 908)**	**39 351**
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase in consumer deposits		-	6 600
NET CASH FROM FINANCING ACTIVITIES		-	6 600
NET DECREASE IN CASH AND CASH EQUIVALENTS		**3 794 155**	**(6 908 580)**
Cash and cash equivalents at the beginning of the year		(5 502 577)	1 406 003
Cash and cash equivalents at the end of the year		(1 708 423)	(5 502 577)

1. SIGNIFICANT ACCOUNTING POLICIES TO THE FINANCIAL STATEMENTS

1.1 Basis of preparation

The annual financial statements have been prepared on an accrual basis of accounting and are in accordance with the historical basis of accounting, except for certain items of property, plant and equipment, which are at fair value for the purposes of initial recognition.

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practices (GRAP) and the Standards of Generally Accepted Municipal Accounting Practices (GAMAP) prescribed by the Minister of Finance in terms of General Notice 991 and 992 of 2005.

The standards are summarised as follows:

GRAP 1	Presentation of Financial Statements
GRAP 2	Cash Flow Statements
GRAP 3	Accounting Policies, Changes in Accounting Estimates and Errors
GAMAP 4	The Effects of Changes in Foreign Exchange Rates
GAMAP 6	Consolidated financial statements and accounting for controlled entities
GAMAP 7	Accounting for Investments in Associates
GAMAP 8	Financial Reporting of Interests in Joint Ventures
GAMAP 9	Revenue
GAMAP 12	Inventories
GAMAP 17	Property, Plant and Equipment
GAMAP 19	Provisions, Contingent Liabilities and Contingent Asset

Accounting policies for material transactions, events or conditions not covered by the above GRAP and GAMAP Standards have been developed in accordance with paragraphs 7, 11 and 12 of GRAP 3. These accounting policies and the applicable disclosures have been based on the South African Statements of Generally Accepted Accounting Practices (SA GAAP) including any interpretations of such Statements issued by the Accounting Practices Board.

The Minister of Finance has, in terms of General notice 552 of 2007 exempted compliance with certain of the above mentioned standards and aspects or parts of these standards.

GAMAP, GRAP and GAAP standards are fundamentally different to the fund accounting policies adopted in previous years. Comparative amounts have been restated retrospectively to the extent possible. The effect of the change in accounting policy arising from the implementation of GAMAP, GRAP and GAAP is set out in note 22.

The municipality has not complied with AC105 (leases) as the municipality has insufficient records to comply with this standard.

A summary of the significant accounting policies, which have been consistently applied except where an exemption has been granted, are disclosed below.

1.2 PRESENTATION CURRENCY

These annual financial statements are presented in South African Rand.

1.3 GOING CONCERN ASSUMPTION

These annual financial statements have been prepared on a going concern basis.

1.4 OFFSETTING

Assets, liabilities, revenues and expenses have not been offset except when offsetting is required or permitted by a Standard of GAMAP, GRAP or GAAP.

1.5 PROPERTY, PLANT AND EQUIPMENT

Land and buildings are stated at revalued amounts, being the fair value of the land and buildings at the date of revaluation less subsequent accumulated depreciation in respect of buildings only. All other items of property, plant and equipment, are stated at cost less accumulated depreciation.

Heritage assets, which are culturally significant resources are either shown at cost where known or at a nominal value where cost is not known. Heritage assets are not depreciated owing to the uncertainty regarding their estimated useful lives.

Where an item of property, plant and equipment has been acquired at no or for a nominal cost, its cost is its fair value on the date of acquisition.

The cost of an item of property, plant and equipment acquired in exchange for a dissimilar non-monetary asset or a monetary asset, or a combination thereof was measured at its fair value.

Subsequent expenditure relating to an item of property, plant and equipment that has already been recognised is added to the carrying amount of the asset when it is probable that future economic benefits or service potential over the total life of the asset in excess of the most recently assessed standard of performance of the existing asset, will flow to the municipality. All other subsequent expenditure is recognised as a repairs and maintenance expense in the period in which it is incurred.

Property, plant and equipment under the course of construction is carried at cost. Depreciation on these assets commences when the assets are ready for their intended use.

Depreciation is calculated on the asset's depreciable amount, using the straight-line method over the estimated useful lives of the assets. The depreciable amount is determined after deducting the residual value of the asset from its cost. The depreciation charge is recognised as an expense unless it is included in the carrying amount of another asset under construction.

The annual depreciation rates are based on the following estimated asset lives:-

Infrastructure	***Years***	***Other***	***Years***
Electricity	20 – 30	Bins and Containers	5 – 10
Roads and Paving	15 – 30	Other Vehicles	3 – 7
		Buildings	30
Community	***Years***	Furniture and Fittings	7 – 10
Recreational Facilities	20 - 30	Specialist Vehicles	10 – 15
Buildings	30	Office Equipment	3 – 7
		Other Plant and Equipment	2 -5
		Specialised equipment	10 – 15

Land is not depreciated as it is deemed to have an indefinite life.

The residual value of land and buildings is re-estimated on the date of the revaluation of the assets. The residual value for all other items of property, plant and equipment is determined only once on the date of acquisition and is not subsequently increased for changes in prices.

An item of property, plant and equipment is eliminated from the Statement of Financial Position on disposal or when the asset is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

In terms of the exemption granted by the Minister of Finance, no review of the useful lives of property, plant and equipment or review of the depreciation method was done as is required by GAMAP 17 in either the 2005/06 or 2006/07 financial years. Impairment testing of property, plant and equipment was also not done for the 2005/06 or 2006/07 financial years in terms of the exemption granted by the Minister of Finance.

1.6 FINANCIAL ASSETS

1.6.1 Held to maturity investments

Debt securities that the Municipality has the expressed intention and ability to hold to maturity are recognised on a trade date basis and are measured at cost.

1.6.2 Available for sale investments

Unlisted equities are stated at cost.

Dividends on available for sale equity instruments are recognised in the surplus or deficit when the Municipality's right to receive payment is established.

1.6.3 Loans and receivables

Loans and receivables are recognised on a transaction date basis and are initially measured at cost.

A provision for impairment is created when there is objective evidence that the municipality will not be able to collect all amounts due according to the original terms of the receivables. The carrying value is reduced through the use of a provision and is recognised as a charge to the statement of financial performance. When a receivable is uncollectible, it is written off against the provision. Any subsequent recoveries of amounts previously written off are credited directly in the statement of financial performance.

1.7 INVENTORIES

Inventories are measured at cost on the date of their purchase.

The cost of inventories acquired at no cost, or for a nominal amount, is its fair value as at the date of acquisition.

Consumable stores, raw materials, work-in-progress and finished goods are measured at the lower of cost and net realisable value (or current replacement cost in the case of inventories held

for distribution at no or for a nominal charge or inventories held for consumption in the production process of goods to be distributed at no or for a nominal charge). The basis of determining cost is the weighted average method.

Unsold properties are valued at the lower of cost and net realisable value on a weighted average cost basis. Direct costs are accumulated for each separately identifiable development. Costs also include a proportion of overhead costs.

Redundant and slow-moving inventories are identified and written down from cost to net realisable value/ net replacement cost with regard to their estimated economic or realisable values.

1.8 CASH AND CASH EQUIVALENTS

Cash includes cash on hand and cash with banks. Cash equivalents are short-term highly liquid investments that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. The amount at which cash and cash equivalents are recorded approximates their carrying amounts.

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks and investments in financial instruments, net of bank overdrafts.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdrafts are expensed as incurred.

1.9 LEASES

1.9.1 The Municipality as Lessee

Operating and finance lease rentals are expensed on a straight-line basis over the term of the relevant lease.

1.9.2 The Municipality as Lessor

Revenue from operating and finance leases is recognised in terms of the relevant lease.

1.10 EMPLOYEE BENEFITS

1.10.1 Short-term employee benefits

The cost of short-term employee benefits is expensed in the Statement of Financial Performance in the financial year during which the payment is made.

Liabilities for short-term employee benefits that are unpaid at year-end are measured at the undiscounted amount that the municipality will be expected to pay in exchange for that service that had accumulated at the reporting date.

1.10.2 Retirement benefits

The municipality provides retirement benefits for its employees and councillors.

Contributions to defined contribution retirement benefit plans are recognised as an expense when employees and councillors have rendered the employment service or served office entitling them to the contributions.

The cost of providing retirement benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at each reporting date. Actuarial gains and losses that exceed 10 per cent of the greater of the present value of the Municipality's defined benefit obligation and the fair value of plan assets are amortised over the expected average remaining working lives of the participating councillors and employees.

The Municipality belongs to a defined benefit joint retirement fund, which is administered on a provincial basis.

The joint fund is actuarially valued triennially on the projected unit credit method basis. Deficits identified are allocated on a proportional basis to all participating municipalities. The Municipality recognises its proportionate share as a liability, which is settled through lump sum payments or increased future contributions.

1.11 PROVISIONS

Provisions are recognised when the Municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. A provision for restructuring costs is recognised when the recognition criteria for provisions are met.

Provisions are raised on the nominal amount expected to be paid on settlement of the amount owing taking any risk and uncertainties associated with the transaction into account. Future events that may affect the amount required to settle the obligation is reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Any gains from the expected disposal of assets are not taken into account in measuring a provision.

Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation. The discount rate used in calculating the present value is the interest rate implicit in the transaction. Where this is impractical to determine the average interest rate cost of borrowing rate of the Municipality is used.

Provisions are reviewed at the reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, the provision is reversed.

1.12. REVENUE RECOGNITION

1.12.1 Revenue from Exchange Transactions

Rendering of services

Revenue arising from the rendering of services and the application of the approved tariff of charges is recognised by reference to the percentage of completion as at the reporting date. Where the percentage of completion cannot be measured reliably, revenue from the rendering of services and the application of the approved tariff of charges is recognised to the extent of expenses are recoverable.

Sale of goods

Revenue from the sale of goods is recognised when the risk and rewards of ownership is passed to the consumer.

Service charges

Service charges relating to electricity and water are based on consumption metered and an estimate of consumption between the latest meter reading date and the reporting date.

In respect of consumption metered, meters are read on a monthly basis and are recognised as revenue when billed. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period.

In respect of estimates of consumption between the last reading date and the reporting date, an accrual is made based on based on the average monthly consumption of consumers.

Revenue from the sale of electricity prepaid meter cards are recognised based on an estimate of the prepaid electricity consumed as at the reporting date.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the number of refuse containers on each property, regardless of whether or not all containers are emptied during the month.

Service charges from sewerage and sanitation are based on the number of sewerage connections on each developed property using the tariffs approved from Council and are levied monthly.

Agency services

Revenue from agency services is recognised on a monthly basis once the income collected on behalf of agents has been quantified. The revenue recognised is in terms of the agency agreement.

Interest

Interest is recognised on a time proportion basis.

Royalty revenue that is earned on a time basis is recognised on a straight-line basis over the period of the agreement. Royalty revenue that is based on production, sales and other measures is recognised by reference to the underlying agreement.

Dividends are recognised on the date that the Municipality becomes entitled to receive the dividend.

Other grants and donations

Conditional grants, donations and funding were recognised as revenue in the Statement of Financial Performance to the extent that the Municipality has complied with any criteria, conditions or obligations embodied in the agreement/arrangement. To the extent that the criteria, conditions and obligations have not been met a liability is raised in the Statement of Financial Position. Unconditional grants, donations and funding are recognised as revenue in the Statement of Financial Position at the earlier of the date of receipt or when the amount is receivable. Contributed assets

are recognised at fair value when the risks and rewards associated with such asset transfer to the Municipality.

1.12.2 Revenue from non-exchange transactions

Rates

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportion basis.

Fines

Fines constitute both spot fines and summonses. Revenue from spot fines and summonses is recognised when payment is received, together with an estimate of spot fines and summonses that will be received based on past experience of amounts collected.

Other

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

1.13 BORROWING COSTS

Borrowing costs are recognised as an expense in the Statement of Financial Performance.

	2007 R	2006 R
2 CONSUMER DEPOSITS		
Electricity and Water	277 189	277 189
Total Consumer Deposits	**277 189**	**277 189**
3 PROVISIONS		
Staff leave	1 267 908	1 902 435
Total Provisions	**1 267 908**	**1 902 435**
Balance at beginning of the year	1 902 435	1 449 021
Contribution for the year	-	453 414
Expenditure incurred	(634 527)	-
Balance at end of the year	**1 267 908**	**1 902 435**

Liabilities for annual leave are recognised as they accrue to employees. The provision is based on the total number of leave days due to employees at year-end, using the total remuneration package of the employee.

4 TRADE AND OTHER PAYABLES		
Trade creditors	474 236	961 374
District Municipality	151 792	
Workmans Compensation	163 449	
Other	330 869	1 020 757
Total Trade and Other Payables	**1 120 346**	**1 982 131**
5 UNSPENT CONDITIONAL GRANTS AND RECEIPTS		
5.1 Conditional Grants from other spheres of Government	4 295 471	1 006 151
MIG Grants	2 970 698	
Municipal Support Grant	657 013	498 645
Testing Station Grant	300 000	-
Municipal Systems Improvement Grant	367 760	507 506
5.2 Other Conditional Receipts	112 140	111 899
Extention 2 Residents Fund	33 802	33 802
Pilot Housing Fund	78 338	78 097
Total Conditional Grants and Receipts	**4 407 611**	**1 360 032**

See note 16 for reconciliation of grants from other spheres of government.

6 PROPERTY, PLANT & EQUIPMENT

Saturday, June 30, 2007

Reconciliation of Carrying Value	Land and Buildings	Infrastructure	Community	Other	Total
	R	R	R	R	R
Carrying values at 1 July 2006	115 521	14 448 719	13 505 886	9 242 800	**37 312 925**
Cost	128 542	16 606 926	14 866 831	14 227 073	45 829 372
Accumulated Depreciation	(13 021)	(2 158 207)	(1 360 945)	(4 984 274)	(8 516 447)
Acquisitions	266 106	13 557 013	7 151 111	699 108	21 673 338
Depreciation	(9 519)	(1 555 299)	(801 740)	(1 369 473)	(3 736 031)
Carrying value of disposals	-	-	-	-	-
Cost	-				-
Accumulated depreciation	-				-
Carrying values at 30 June 2007	**372 108**	**26 450 432**	**19 855 257**	**8 572 434**	**55 250 232**
Cost	394 648	30 163 939	22 017 942	14 926 181	67 502 710
Accumulated Depreciation	(22 540)	(3 713 506)	(2 162 685)	(6 353 747)	(12 252 478)

Saturday, June 30, 2007

Reconciliation of Carrying Value	Land and Buildings	Infrastructure	Community	Other	Total
	R	R	R	R	R
Carrying values at 1 July 2005	**119 806**	**12 459 247**	**10 542 614**	**7 886 772**	**31 008 439**
Cost	128 542	13 443 018	11 332 601	11 379 795	36 283 956
Accumulated Depreciation	(8 736)	(983 771)	(789 987)	(3 493 023)	(5 275 517)
Acquisitions	-	3 163 908	3 534 230	2 847 278	9 545 416
Depreciation	(4 285)	(1 174 436)	(570 958)	(1 491 251)	(3 240 930)
Carrying value of disposals	-	-	-	-	-
Cost	-	-	-	-	-
Accumulated depreciation	-	-	-	-	-
Carrying values at 30 June 2006	**115 521**	**-**	**-**	**-**	**37 312 925**
Cost	128 542	16 606 926	14 866 831	14 227 073	45 829 372
Accumulated Depreciation	(13 021)	(2 158 207)	(1 360 945)	(4 984 274)	(8 516 447)

		2007 R	2006 R
7 INTANGIBLE ASSET			
Computer software		431 304	462 111
Total intangible assets		**431 304**	**462 111**
Carrying value at the beginning of the year		462 111	-
Cost		462 111	-
Accumulated amortisation		-	-
Acquired		-	462 111
Amortisation		(30 807)	-
Carrying value at the end of year		**431 304**	**462 111**
Cost		462 111	462 111
Accumulated amortisation		(30 807)	-
8 LOANS AND RECEIVABLES			
Car loans to staff	#		
Gross balance		342 033	454 516
Total		**342 033**	**454 516**
Property sales	#		
Gross balance		210 030	210 030
Total		**210 030**	**210 030**

	Non-current	Current
Saturday, June 30, 2007		
Car loans	17 020	325 012
Property sales	-	210 030
Total Loans and Receivables	**17 020**	**535 042**
Friday, June 30, 2006		
Car loans	331 683	122 833
Property sales	210 030	-
Total Loans and Receivables	**541 713**	**122 833**

CAR LOANS TO STAFF

Senior staff were entitled to car loans up to 30 June 2004 which attract interest at 8% per annum and which are repayable over a maximum period of 5 years. These loans are repayable in the 2009 year.

		2007 R	2006 R

PROPERTY SALES

These relate to the sale of properties on credit. The balance is payable after certain legal processes have been completed. Provision has been made due to the length of time that these amounts have been outstanding.

9 INVENTORY

Consumable stores – at cost		**71 815**	-
Total Inventory		**71 815**	**-**

Inventory was not counted or valued in 2006 and therefore comparative information could not be obtained.

10 CONSUMER DEBTORS

Consumer debtors' balances		9 059 380	8 559 963
Provision for bad debts		(3 067 406)	(2 567 989)
Total		**5 991 974**	**5 991 974**
Gross Balances			
Rates		4 286 509	4 126 810
Electricity		3 333 455	3 275 512
Refuse and sewerage		1 439 416	1 157 641
Total		**9 059 380**	**8 559 963**
Provision for Bad Debts			
Rates	#	(1 397 742)	(1 238 043)
Electricity	#	(1 264 429)	(982 654)
Refuse	#	(405 235)	(347 292)
Total		**(3 067 406)**	**(2 567 989)**
Net Balance			
Rates		2 888 767	2 888 767
Electricity		2 069 026	2 292 858
Refuse and sewerage		1 034 181	810 349
Total		**5 991 974**	**5 991 974**

Current and comparative ageing information could not be obtained.

	2007 R	2006 R
Reconciliation of the bad debt provision		
Balance at beginning of the year	2 567 989	2 221 224
Contributions to provision	499 417	346 765
Balance at end of year	**3 067 406**	**2 567 989**

11 OTHER DEBTORS

Rental debtors	229 327	209 845
VAT	8 163 536	6 836 584
Pensions Councillors	66 869	124 029
O R Tambo District Municipality	766 439	1 708 668
MIG Grants	-	875 683
Financial Management Grant	85 548	-
Umsobomvu Youth Fund	35 179	-
Sundry debtors	98 533	145 662
Total Other Debtors	**9 445 431**	**9 900 472**

VAT is payable on the receipts basis. Only when payment is received from debtors is VAT paid over to SARS.

12 CALL INVESTMENT DEPOSITS

32 Day Notice Deposits	**2 450 206**	**15 076 151**

Notice Deposits are ringfenced in separate investment accounts for consumer deposits and conditional grants

No investments were pledged as security.

13 BANK, CASH AND OVERDRAFT BALANCES

Bank overdrafts	**1 993 397**	**6 068 005**
Bank balances	282 437	561 012
Petty cash	2 537	4 416
Total bank balances and cash	**284 974**	**565 428**

The Municipality has the following bank accounts: -

	2007 R	2006 R
Current Account (Primary Bank Account)		
First National Banch - Bizana Branch - Account Number 51704922107		
Cash book balance /(overdrawn) at beginning of year	(2 645 517)	(584 331)
Cash book balance/(overdrawn) at end of year	(1 187 337)	(2 645 517)
Bank statement balance/(overdrawn) at beginning of year	1 281 748	2 772 582
Bank statement balance /(overdrawn) at end of year	979 377	1 281 748
Current Account (licencing Account)		
First National Banch - Bizana Branch - Account Number 51701039997		
Cash book balance /(overdrawn) at beginning of year	561 012	419 923
Cash book balance/(overdrawn) at end of year	282 437	561 012
Bank statement balance/(overdrawn) at beginning of year	561 012	419 939
Bank statement balance /(overdrawn) at end of year	282 437	561 012
Call Account (Electricity Infrastructure)		
First National Banch - Bizana Branch - Account Number 61170003788		
Cash book balance /(overdrawn) at beginning of year	(3 424 088)	1 570 395
Cash book balance/(overdrawn) at end of year	(806 060)	(3 424 088)
Bank statement balance/(overdrawn) at beginning of year	448 915	2 965 591
Bank statement balance /(overdrawn) at end of year	500 027	448 915

14 PROPERTY RATES

Actual		
Residential and commercial	967 807	690 512
Total Assessment Rates	**967 807**	**690 512**

	2007 R	2006 R
Property Valuations	***July 2006 R000's***	***July 2005 R000's***
Residential	36 610 575	36 610 575
Commercial	19 733 300	19 733 300
Total Property Valuations	**56 343 875**	**56 343 875**

Valuations on land and buildings are performed every four years. The last valuation came into effect on 1 July 1998. Interim valuations are processed on a quarterly basis to take into account changes in individual property values due to alterations and subdivisions. A general rate of R1.40c/R is applied to property valuations to determine assessment rates. Rates are levied on an annual basis on property owners. Interest at 2% per annum s levied on outstanding rates.

15 SERVICE CHARGES

Sale of electricity	4 191 661	4 219 691
Refuse removal	544 071	475 367
Total Service Charges	**4 735 733**	**4 695 058**

16 GOVERNMENT GRANTS AND SUBSIDIES

Equitable share	37 801 535	33 047 748
Eastern Cape Youth Commission	-	217 669
Municipal Support Programme	321 632	957 179
IDP Grant	-	50 000
MIG	10 456 987	9 730 034
Municipal Administration	-	200 000
Municipal Systems Improvement Grant	139 746	960 494
Planning and Development Grants		787 781
Finance Management Grant	1 201 276	202 744
Local Economic Development Grant	38 940	300 000
Umsombuvu Youth	174 933	
Tree Launch Grant	-	300 000
Total Government Grant and Subsidies	**50 135 049**	**46 753 649**

16.1 Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

	2007 R	2006 R
16.2 Eastern Cape Youth Commission		
Balance unspent at beginning of year	-	-
Current year receipts - included in public health vote	-	217 669
Conditions met - transferred to revenue	-	(217 669)
Conditions met	**-**	**-**
16.3 Municipal Support Grant		
Balance unspent at beginning of year	498 645	530 824
Current year receipts - included in public health vote	480 000	925 000
Conditions met - transferred to revenue	(321 632)	(957 179)
Conditions still to be met - transferred to liabilities (see note 5)	**657 013**	**498 645**
16.4 IDP Grant		
Balance unspent at beginning of year	-	-
Current year receipts - included in public health vote	-	50 000
Conditions met - transferred to revenue	-	(50 000)
Conditions met	**-**	**-**
16.5 MIG Grant		
Balance unspent at beginning of year	(875 683)	3 769 162
Current year receipts	14 303 368	5 085 189
Conditions met - transferred to revenue	(10 456 987)	(9 730 034)
Conditions still to be met - transferred to liabilities (see note 5)	**2 970 698**	**(875 683)**
16.6 Municipal Administration		
Balance unspent at beginning of year	-	-
Current year receipts	-	200 000
Conditions met - transferred to revenue	-	(200 000)
Conditions met	**-**	**-**
16.6 Municipal Systems Improvement Grant		
Balance unspent at beginning of year	507 506	734 000
Current year receipts		734 000
Conditions met - transferred to revenue	(139 746)	(960 494)
Conditions still to be met - transferred to liabilities (see note 5)	**367 760**	**507 506**
16.7 Planning and Development Grants		
Balance unspent at beginning of year	-	611 323
Current year receipts	-	176 458
Conditions met - transferred to revenue	-	(787 781)
Conditions met	**-**	**-**

	2007 R	2006 R
16.8 Finance Management Grant		
Balance unspent at beginning of year	241 982	194 726
Current year receipts	873 746	250 000
Conditions met - transferred to revenue	(1 201 276)	(202 744)
Additional grant receivable (see note 11)	**(85 548)**	**241 982**
16.9 LED Grant		
Balance unspent at beginning of year	-	-
Current year receipts	38 941	300 000
Conditions met - transferred to revenue	(38 941)	(300 000)
Conditions met	**-**	**-**
16.9 Umsombuvu Youth		
Balance unspent at beginning of year	-	-
Current year receipts	139 754	-
Conditions met - transferred to revenue	(174 932)	-
Additional grant receivable (see note 11)	**(35 178)**	**-**
16.10 Tree Launch Grant		
Balance unspent at beginning of year	-	-
Current year receipts		300 000
Conditions met - transferred to revenue		(300 000)
Conditions met	**-**	**-**

16.11 Changes in levels of government grants

Based on the allocations set out in the Division of Revenue Act, no significant/ the following changes in the level of government grant funding are expected over the forthcoming 3 financial years.

	2007 R	2006 R
17 EMPLOYEE RELATED COSTS		
Employee related costs - Salaries and Wages	19 458 230	13 513 322
Casual labour	26 002	24 660
Backpay	1 360 281	210 210
Employee related costs - Contributions for UIF, pensions and medical aids	1 286 683	2 089 546
Travel, motor car, accommodation, subsistence and other	2 486 857	1 739 725
Housing benefits and allowances	325 540	611 724
Acting allowance	44 396	58 934
Overtime payments	87 115	120 254
Performance bonus	462 737	173 855
Long-service awards	625 789	696 154
Levies	4 056	4 138
Leave pay	-	453 415
Less: Councillor Remuneration (see note 18)	(8 311 653)	(6 446 954)
Total Employee Related Costs	**17 856 033**	**13 248 982**

There were no advances to employees. Loans to employees are set out in note 8.

Remuneration of the Municipal Manager

Annual Remuneration	622 294
Performance Bonuses	101 461
Other	14 400
Total	**738 155**

Remuneration of the Chief Finance Officer

Annual Remuneration	537 394
Performance Bonuses	76 842
Other	9 600
Total	**623 836**

Remuneration of the Technical Services Officer

Annual Remuneration	470 325
Performance Bonuses	75 366
Other	9 600
Total	**555 291**

Remuneration of the Corporate Services Officer

Annual Remuneration	537 394

	2007 R	2006 R
Performance Bonuses	88 665	
Other	9 600	
Total	**635 659**	

Remuneration of the Community Services Officer

Annual Remuneration	537 394	
Performance Bonuses	59 110	
Other	9 600	
Total	**606 104**	

Remuneration of the Development Planning Officer

Annual Remuneration	526 370	
Performance Bonuses	59 110	
Other	9 600	
Total	**595 080**	

	2007 R	2006 R
18 REMUNERATION OF COUNCILLORS		
Executive Mayor	448 056	451 803
Speaker	361 158	738 689
Mayoral Committee Members	2 367 912	1 167 324
Councillors	5 134 527	3 915 362
Total Councillors' Remuneration	**8 311 653**	**6 446 954**

The Mayor is a full-time councillor. The Mayor is provided with an office and secreterial support at the cost of the Municipality. The Mayor has use of a Municipal-Owned vehicle for official duties.

19 INTEREST PAID		
Bank overdrafts	67 643	14 275
Total Interest Paid	**67 643**	**14 275**
20 BULK PURCHASES		
Electricity	2 474 329	1 685 457
Total Bulk Purchases	**2 474 329**	**1 685 457**
21 GENERAL EXPENSES		

Included in general expenses are the following:-

Special Maize Projects	-	4 451 505
Institutional Support Projects	3 563 689	3 291 207
Provision of Free Basic Services	-	1 735 347
Mayor's Special Programmes	618 399	1 196 072
Disaster Management	52 754	310 483
HIV/AIDS Programmes	287 019	363 829
Sports, Art and Culture	83 330	360 178
Community Involvement	722 345	-
Ward Committee Fees	857 354	-
Financial Management Systems	442 973	-
Local Economic Development Projects	1 024 604	-
St Patrick's Projects	307 872	-

22 CHANGE IN ACCOUNTING POLICY - IMPLEMENTATION OF GAMAP

	2007 R	2006 R
The following adjustments were made to amounts previously reported in the annual financial statements of the Municipality arising from the implementation of GAMAP: -		
22.1 Statutory Funds		
Balance previously reported: -		
Revolving Fund		515 881
NPI Fund		1 115
Electricity Infrastructure Project Fund		1 570 395
Capital Projects Fund		21 596 905
Motor Vehicle Testing Ground Fund		8 668
Revenue Contribution to Capital		851 521
Grants and subsidies		38 249 011
Total		**62 793 496**

	2007 R	2006 R
Implementation of GAMAP		
Transferred to Accumulated Surplus (see 22.6 below)		62 793 496
Total		**62 793 496**
22.2 Provisions		
Balance previously reported		
Audit fee provision		300 000
Total		**300 000**
Implementation of GAMAP		
Transferred to Accumulated Surplus (see 22.6 below)		**300 000**
22.3 Conditional Grants		
Balance previously reported		-
Implementation of GAMAP		
Unspent grants previously credited to revenue		(5 840 035)
Transferred from Accumulated Surplus (see 22.6 below)		**(5 840 035)**
22.4 Property, plant and equipment		
Balance previously reported		(39 100 531)
Implementation of GAMAP		
Cost of assets based on asset register		36 283 956
Transferred from Accumulated Surplus (see 22.6 below)		**(2 816 575)**
22.5 Accumulated Depreciation		
Balance previously reported		-
Implementation of GAMAP		
Backlog depreciation		(5 275 517)
Transferred from Accumulated Surplus (see 22.6 below)		**(5 275 517)**
22.6 Accumulated Surplus/(Deficit)		
Implementation of GAMAP		
Statutory Funds and Reserves		62 793 496
Provisions reversed		300 000
Transfer to unspent government grants		(5 840 035)
Adjustment to Property, Plant and Equipment		(2 816 575)
Transfer to backlog depreciation		(5 275 517)
Total		**49 161 369**
23 CASH GENERATED BY OPERATIONS		
Surplus/(deficit) for the year	4 005 595	6 452 698

	2007 R	2006 R
Adjustment for:-		
Depreciation and amortisation	3 766 838	3 240 930
Adjustment in net assets	3 022 138	(10 049 529)
Contribution (from)/to provisions	(634 527)	453 415
Investment income	(655 653)	(1 246 851)
Interest paid	67 643	14 275
Operating surplus before working capital changes:	9 572 034	(1 135 062)
Increase in inventories	(71 815)	-
Increase in debtors	-	(809 118)
Decrease/(increase) in other debtors	455 040	(2 203 683)
Increase/(decrease) in conditional grants and receipts	3 047 579	(4 591 902)
(Decrease)/increase in creditors	(861 785)	552 658
Cash generated by/(utilised in) operations	**12 141 053**	**(8 187 107)**

	2007 R	2006 R
24 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL		
24.1 Contributions to organized local government		
Opening balance	-	-
Council subscriptions	65 931	65 630
Amount paid - current year	(65 931)	(65 630)
Balance unpaid	**-**	-
24.2 Audit fees		
Opening balance	-	-
Current year audit fee	277 891	262 098
Amount paid - current year	(277 891)	(262 098)
Balance unpaid	**-**	-

24.3 VAT

VAT inputs receivables and VAT outputs receivables are shown in note X. All VAT returns have been submitted by the due date throughout the year.

24.4 Councillor's arrear consumer accounts

The following Councillors had arrear accounts outstanding for

Name	**Total** **R**	**Outstanding more than 90 days** **R**
30 June 2007		
Cllr S Mayaba	871	2 042
Cllr N Mhlelembana	124	25
Cllr H N Vellem	421	4 134
	1 416	**6 201**

30 June 2006

No information is available on outstanding accounts.

25 RETIREMENT BENEFIT INFORMATION

	2007 R	2006 R

All Councillors and employees belong to multi-employer defined benefit retirement plans. These funds are subject to a triennial actuarial valuation.

The deficit will be financed by an increased contribution from all participating member municipalities.

The amount contributed by Council in respect of Councillor and employees retirement funding have been expensed and are included in notes 17 and 18.

	2007 R	2006 R

26 RELATED PARTY TRANSACTIONS

26.1 Loans to related parties

Loans to councillors and senior management employees are no longer permitted since 1 July 2004. Loans that were granted prior to this date, together with the conditions, are set out in notes 8 and 11.

26.2 Compensation of key management personnel

The compensation of key management personnel is set out in note 17.

APPENDIX A
ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2007

	Cost/Revaluation					Accumulated Depreciation				Carrying
	Opening Balance	Additions	Under Construction	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	Value
Land and Buildings										
Land and Buildings	128 542	266 106	-	-	394 648	13 021	9 519	-	22 540	372 108
				-	-			-	-	-
	128 542	**266 106**	**-**	**-**	**394 648**	**13 021**	**9 519**	**-**	**22 540**	**372 108**
Infrastructure										
Roads	7 674 494	13 119 644	-	-	20 794 138	856 989	1 103 216	-	1 960 205	18 833 933
Water	5 186 443	-	-	-	5 186 443	779 796	259 322	-	1 039 119	4 147 324
Electricity	3 742 689	-	-	-	3 742 689	521 393	187 134	-	708 527	3 034 161
Traffic Islands	3 300	-	-	-	3 300	29	330	-	359	2 941
Bridges	-	437 369	-	-	437 369	-	5 296	-	5 296	432 073
	16 606 926	**13 557 013**	**-**	**-**	**30 163 939**	**2 158 207**	**1 555 299**	**-**	**3 713 506**	**26 450 432**
Community Assets										
Taxiways	1 452 494	4 102 594	-	-	5 555 088	40 700	188 322	-	229 022	5 326 066
Markets	568 398	-	-	-	568 398	29 040	18 947	-	47 987	520 411
Sport Facilities	8 160 248	88 927	-	-	8 249 175	1 016 192	409 386	-	1 425 578	6 823 596
Recreational Facilities	4 194 895	520 102	-	-	4 714 997	265 084	149 071	-	414 156	4 300 841
Clinics	453 772	1 917 439	-	-	2 371 211	9 475	32 947	-	42 422	2 328 789
Civic Centre	37 024	-	-	-	37 024	453	1 234	-	1 687	35 337
Community Centres	-	522 049	-	-	522 049	-	1 832	-	1 832	520 217
	14 866 831	**7 151 111**	**-**	**-**	**22 017 942**	**1 360 945**	**801 740**	**-**	**2 162 685**	**19 855 257**
Other Assets										
Furniture & Fittings	1 590 144	-	-	-	1 590 144	495 640	227 164	-	722 804	867 341
Office Equipment	1 296 881	59 622	-	-	1 356 503	945 201	105 563	-	1 050 764	305 739
Machinery & Equipme	6 357 303	639 486	-	-	6 996 789	1 237 436	557 201	-	1 794 637	5 202 152
Motor Vehicles	4 897 529	-	-	-	4 897 529	2 286 725	453 696	-	2 740 421	2 157 108
Security Equipment	85 216	-	-	-	85 216	19 272	25 850	-	45 122	40 094
	14 227 073	**699 108**	**-**	**-**	**14 926 181**	**4 984 274**	**1 369 473**	**-**	**6 353 747**	**8 572 434**
TOTAL	**45 829 372**	**21 673 338**	**-**	**-**	**67 502 710**	**8 516 447**	**3 736 031**	**-**	**12 252 478**	**55 250 232**